

ANOTHER UNTHINKABLE DISASTER AT HAND—ARE WE READY?

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By Susan Kelly

The possibility of a global outbreak of avian flu should force companies to revisit contingency plans. This time they face the prospect of a long-term crisis

In today's global economy, a deadly influenza outbreak in Asia is only a plane ride away from becoming a health crisis in the United States. Avian flu, which has spread from domestic fowl to humans and from Asia into Europe, is particularly threatening. The virus involved, H5N1, is now established in humans and is racking up a mortality rate of about 50%. The avian flu virus lacks just one important characteristic of a pandemic: It is not yet easily transmitted from person to person. But given its recent history and the speed at which it could spread if humans were able to easily infect each other, U.S. companies must start to consider what a flu pandemic would mean for their businesses.

The Congressional Budget Office recently estimated that a severe outbreak of avian flu could sicken 90 million Americans, result in two million deaths and subtract five percentage points from U.S. growth in the year following the outbreak. Yet, recent polls suggest that U.S. companies are not well prepared. Sixty-six percent say they have not adequately planned how to protect themselves in the event of a pandemic flu, according to a survey of 179 companies by the Deloitte Center for Health Solutions and the ERISA Industry Committee, while 14% judge their planning adequate and 20% are uncertain.

Risk management experts say that even companies with meticulous disaster recovery plans need to reassess those plans in light of the possibility of a widespread and very serious disease. It's a question of scale, according to Robert Wilkerson, global leader of the corporate preparedness practice at risk consultants Kroll Inc. He points to companies' experiences with Hurricane Katrina as an example. Many companies were prepared to lose access to their offices or facilities for a week or two weeks, Wilkerson says, but few had planned what to do if they lost access for months. "In a pandemic, we're talking about broad scale illness, loss of critical personnel and many deaths," he says. "Those are things that affect not just the company but the marketplace. Companies are having to look at their plans and procedures and think how much to change and when to change."

A company's vulnerability to a pandemic will differ depending on factors like the extent to which it procures supplies or sells products overseas and whether employees can do most of their work from home or must be physically present in a factory or office. Companies "truly need to understand, specific to their organization, how significant a risk this is from a revenue standpoint, from a cash flow standpoint, whatever key metrics are in place for that organization," says Trevor Mapplebeck, a director at Mercer Oliver Wyman, a risk management consulting company.

WHEN YOU KNOW IT'S TIME TO ACT

Wilkerson says companies also should decide what event or events would signal the need to take additional steps. "They're going to need to define a threshold at which they begin to take protective actions," he says. "Maybe in the second phase they start to limit international travel. But what is the right trigger [for a company to begin that phase]?"

John Neil, practice leader for national markets at Liberty Mutual Insurance, says companies should not only plan for the flu, but should test their plans. He notes that the World Health Organization and the U.S. Centers for Disease Control and Prevention (CDC) outline various scenarios for a flu pandemic that companies can use to test their plans. "It's important for companies to test those plans so they have a chance to improve them, if need be," he says. Experts say that high up on corporate to-do lists should be policies around sick days and absences and whether those policies should be modified to encourage employees to stay home if they're not feeling well. "Obviously, with this specific issue, having sick employees come into the workplace would be the worst thing that could happen," says Douglas Taylor, co-head of the Deloitte Center for Health Solutions. And if employees do come to work when they're feeling ill? "You can't mandate that somebody go home, but during the flu season, employers should think about this," says Ronald Leopold, vice president and medical director of MetLife Disability. "In the event of an outbreak, certainly one thing that employers need to do is to urge people with symptoms not to be in the workplace."

Given that the government could respond to an outbreak by imposing quarantines, companies also should look at their provisions for working from home. Such an option could cover employees feeling ill, employees prevented from coming to work because of a quarantine or those staying at home to care for children who are ill or whose schools have been shut down. But Mercer Oliver's Mapplebeck cautions that companies thinking about telecommuting facilities need to keep costs in mind as well: "You're not looking to ensure that 100% of your employee population can work out of their home," Mapplebeck says. "The focus needs to be on key individuals. This is a crisis and you want to respond on that basis, not set up a cost infrastructure to take care of something with x-percent likelihood." Executives must also think about employees who are traveling outside the U.S. or are stationed overseas. The starting point should be to ensure that the company always knows where traveling employees are and is able to communicate with them to convey health and safety advisories, experts say. Companies should examine their insurance provisions for employees who fall ill outside of the U.S., as well as arrangements for repatriating them.

VULNERABLE LINKS

With the avian flu outbreaks to date centered in Asia, companies must look critically at where they procure materials and outsource business operations, and check whether there is enough redundancy in those arrangements to cope with disease-related breakdowns. "Supply chain interruption is one of the fundamental issues here," says Kroll's Wilkerson, who argues that the work over the last decade to make procurement more cost-effective did not fully take into account the risks involved in drastically reducing the number of suppliers and in sourcing so much from lower-cost countries, many of which have poor public health systems. A pandemic could also interfere with the fundamental ability of companies to reach their customers, for example, if quarantines closed stores and restaurants. When it comes to such disruptions, Wilkerson says

there's not a lot that companies can do, "except understand it and figure out what their business strategy would be."

As part of any plan, companies should review their insurance policies to check what would be covered. Insurance brokers note that losses caused by an infectious disease could fall through the cracks in many cases. For example, workers compensation would only come into play if an employee in the U.S. picked up the flu at work, and in most cases, catching it from a coworker would not be covered. Finally, much of any company's response to a pandemic is going to be in part dependent on the government's emergency program. This means that corporate plans must be in sync with those of the federal, state and local governments. "What we like to see organizations do today is understand the national strategic plan," says Liberty Mutual's Neil. "Companies need to make sure [they] have a crisis alert plan that's in line with what the government is attempting to do."

USEFUL WEB SITES

Government web site: www.pandemicflu.gov

Pandemic influenza planning checklist from the Centers for Disease Control:
<http://www.pandemicflu.gov/plan/businesschecklist.html>

World Health Organization: <http://www.who.int/en/>

Department of Health & Human Services' flu pandemic plan:
www.hhs.gov/pandemicflu/plan

White House's strategy for flu pandemic: [www.whitehouse.gov/homeland/pandemic-flu.html](http://www.whitehouse.gov/homeland/pandemic-flu/flu.html)

Avian flu fact sheets for travelers:
http://travel.state.gov/travel/tips/health/health_1181.html

Congressional Budget Office December, 2005 "Bird Flu" report:
<http://www.cbo.gov/showdoc.cfm?index=6946&sequence=0>